SOCIAL CREDIT OR SOCIAL OWNERSHIP

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THE BASIC MISTAKE of Social Crediters is in thinking that money is purchasing power. It is nothing of the sort. It is a medium of exchange.

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Introduction

In the summer of 1935 Social Credit forces under Mr. William Aberhart captured the Alberta Legislature, securing fifty-eight out of the sixty-three seats. Encouraged by this sweeping success, hasty nominations were made for the Dominion elections, which took place the following October. Seventeen Social Credit candidates were elected to the House of Commons.

Most of these gains were at the expense of candidates of the Co-operative Commonwealth Federation, many of whom had served long years in Parliament. Their ability and loyalty to principle had never been called in question.

In several other constituencies the intervention of a Social Credit candidate split the radical or "protest" vote and enabled one of the old-line parties to retain the seat.

Plans are now being made by quickly-formed Social Credit leagues and clubs to make a bid for power in other provinces, and even in the municipal field.

These developments make it very necessary that a clear, critical comparison be made between the proposals of the C.C.F. and those of the Social Credit movement. Hitherto the C.C.F. has offered the people of Canada the only alternative to the present system of exploitation with all its poverty and insecurity. Social Credit challenges the position of the C.C.F. by proposing what appears to be a simpler and easier way out.

The need for a critical examination into the relative merits of the two proposals is intensified by these facts:

(1) The Social Credit doctrine has been accepted by its supporters largely on faith. They were definitely told not to bother their heads with the question of "how could it be done."

(2) Large numbers of people who have no liking or aptitude for the study of economics have jumped at this easy way out.

(3) Quite a number of C.C.F. supporters have a sympathetic leaning toward Social Credit and can see no reason why the two movements should not get together.

(4) Many people, though in revolt against existing conditions, are still afraid that Socialism means loss of individual liberty. They grasp at Social Credit as a painless way out of their difficulties.

(5) Social Credit therefore threatens a serious split in the ranks of those who would rid the country of capitalistic exploitation.

For these reasons, and in the hope that it may help a little to clear the air, this booklet is written. As far as possible, technical and "text-book" terms have been avoided, and an effort made to state the case in every-day language.

While this booklet deals more specifically with the two movements in Canada as expressed on the one hand by the Co-operative Commonwealth Federation, and on the other by the Aberhart following, the writer hopes that it may prove useful wherever, and in whatever form, the issue is raised between Social Ownership and "Social Credit".

Winnipeg, Man. S. J. FARMER
January, 1936.

I

The Essential Difference

The C.C.F. Fundamentally, the program of the C.C.F. is one of Social Ownership of the means of life. To quote its Regina Manifesto, its goal is "the establishment in Canada of a Co-operative Commonwealth in which the principle regulating production, distribution and exchange will be the supplying of human needs and not the making of profits."

To carry out this policy will require Social Planning; an orderly unified planning of production, so that all the needs of the people are provided for; an orderly, unified planning of distribution so that everyone may secure a just share of the national income.

Such Social Planning in turn requires the Social Ownership of finance, of the natural resources, and of "all industries and services essential to social planning." It is obvious that planning would be impossible without control, and control impossible without ownership of the essential factors in production and distribution.

While the C.C.F. program includes a number of reforms, these are either necessary extensions of existing social services, as in the matter of public health; or emergency measures designed to carry the nation through the transition period while the planned economy is being set up. All such reform measures are frankly stated in the Manifesto to be of temporary value only and to leave untouched "the cancer which is eating at the heart of our society, namely, the economic system in which our natural resources and principal means of production and distribution are owned, controlled and operated for the private profit of a small proportion of our population".

In short, the C.C.F. holds that the only way by which poverty can be abolished; by which every citizen can be sure of a sufficient and proper supply of food, clothing and other necessities; by which good homes and a higher standard of living can be assured to all; by which "economic security" can be established for the whole nation; is by the people themselves owning and controlling the means by which these things are produced and distributed.

Social Credit. .Advocates of Social Credit, generally speaking, are opposed to Social Ownership in any form. Major C. H. Douglas, British originator of the theory, is strongly anti-Socialist. Premier Aberhart, before the election which carried him to power, issued a "Social Credit Manual". In the section devoted to "Questions

and Answers" he replies as follows to one imaginary questioner:

> "It is not the intention of Social Credit to confiscate or take away anything from those who already have it."

Another question asks: "Does Social Credit involve socialization, nationalization, confiscation or expropriation?" To this Mr. Aberhart replies:

> "No. Social Credit stands for controlled individual ownership. It holds to the decentralization of power and supports the rewarding of individual effort to the full possible enjoyment of the good things of life."

Briefly stated, Social Credit proposes to solves all our economic problems by putting more "purchasing power" in the hands of the people. It would do this through the issue of credit in some form or another. It would leave everything else in the present system unchanged.

Let us put the difference between these two policies in a slightly different way. The C.C.F. program of Social Ownership means that the people, through their chosen representatives, would own and control, not only the *means* of production, but the goods themselves. They would own and control and direct the production and the distribution of food supplies, of clothing supplies, of building materials, and so on.

Social Credit, on the other hand, would leave the means of production in private hands, to be operated for private profit. It would, therefore, leave the actual goods in private hands also. It would try to get proper distribution by the issuance of credit to the people.

So, with these differences in theory and in program clearly before us, we have to find the answer to these questions, among others:

(1) Can "purchasing power" be given to all the people without "taking away anything from those that already have it?"

(2) If everybody gets food, clothing and shelter without giving anything in exchange, what do those who produced those things get for their labor?

(3) Summing up questions one and two; Can Social Credit be made to work with the principal means of production and distribution privately owned, and operated for private profit?

(4) If Social Ownership is proved to be necessary in order to end poverty and insecurity, is Social Credit a logical step in that direction?

(5) If Social Credit fails, and does not lead to Social Ownership, where is it likely to lead?

(6) Is there any part of the Social Credit idea, such as the "basic dividend" which is already, or could be made a part of a Social Ownership policy?

If we can work out satisfactory answers to these half-dozen questions, there should be no difficulty in choosing the right way out of the present system, with its tragic fruit of undeserved, unnecessary poverty and human wreckage.

Two short chapters follow which are intended merely to clear the ground. Then we shall proceed to work out, point by point, the issue between Social Credit and Social Ownership.

II

Some Points of Agreement

The points upon which there is agreement between advocates of Social Ownership and advocates of Social Credit are not many, but they are important. Not only are the points themselves important, but the fact that there is agreement upon them is of great value also. It gives us a common starting ground. What are these points of agreement?

First. That the problem of production has been solved; that science and invention have unlocked the doors to almost unlimited wealth, so that all the necessities of life, and most of the comforts and so-called luxuries, can be produced with ease, and in abundance.

Second. That world-wide poverty and insecurity in the face of man's ability to produce in abundance, is due to wrong methods of distribution, since it cannot be due to scarcity of any sort.

Third. That modern methods of production have displaced, and in ever-increasing measure continue to displace, human labor. To quote Sir Harold Bowden, of the Raleigh Cycle Company, and one of the British supporters of Major Douglas: "Machinery has been for years visibly displacing men from employment in all industries. No economic processes can ever find remunerative work for them elsewhere, for science is progressively diminishing the demand for man-power."*

Credit is due to Major Douglas and his associates for the persistent emphasis they lay on these facts. They are, of course, not the only people, nor the first, to call attention to these developments of modern capitalism.

The Technocrats, a few years ago, secured a few days' front-page publicity by their dramatic presentation of startling figures regarding the displacement of man-power by machinery. Karl Marx and all Socialist writers who have followed him, point out that a constant revolutionizing of the machinery of production was necessary if the capitalist system was to continue.

However, we must not spend time on that feature of the problem just now. The important thing is that there is agreement on the facts. In addition to this agreement on matters of fact, there is also agreement upon at least one thing that needs to be done to meet the conditions arising out of these facts.

That is, there is agreement upon the *principle* of the *Social Dividend.* The idea of a Social Dividend is absolutely sound. It is

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*"The National Dividend".—New Economics Pamphlet.

sometimes called a National Dividend, and by Mr. Aberhart, the Basic Dividend. The idea is to be found in principle, if not by this name, in much of the literature of Socialism, notably in Bellamy's "Looking Backward". It simply means that every citizen is rightfully a part-owner in the natural resources of the country, and rightful heir to all the discoveries and inventions handed down from generation to generation.

This being the case, every citizen is entitled, as of primary right, to a share in the income obtained from these resources and improvements.

Obviously, since these resources cannot be turned into usable goods without the application of human labor in some degree, the additional value produced by such labor is not necessarily a part of this common wealth, and is therefore not included in the "property" upon which a social dividend can be issued. This, however, is an entirely separate question, and does not in the least affect the soundness of the principle involved in the Social Dividend.

Here, then, we find Social Crediters and Socialists upon common ground. They agree

First. That poverty for large masses of the people is not due to any lack of ability to produce enough for all.

Second. That new methods of distribution are needed to solve the problem of poverty amidst abundance.

Third. That large-scale production and modern machinery are rapidly displacing human labor.

Fourth. That every citizen is entitled to share in those forms of wealth represented by the natural resources, and by the improved methods of production made possible by generations of scientists and inventors.

But from this common starting-ground they go different ways. Socialists say that the people, rightful heirs and owners of the socially-created values mentioned in the last paragraph, have been disinherited, and must take back their common heritage under common ownership.

Social Crediters say this would be confiscation, that everything which is now private property must remain private property. They say they can give the people their share of the national production by giving them "purchasing power" in the form of credit.

It is for the purpose of discovering which of these is the right path that this booklet is written. Before we begin a discussion of these divergent view-points, however, let us clear the ground still further by an examination of some rather contradictory views expressed by different advocates of Social Credit.

III

Contradictions

Since this booklet is written primarily for Canadians, it might be well, first of all, to note some of the important differences between the Douglas theory of Social Credit and the Aberhart brand, for in Canada Social Credit opinion is split between these two.

Both begin with the assumption that our whole trouble is due to lack of purchasing power, to a gap between production and consumption. They differ as to the cause of that gap.

Major Douglas has two theories. He first explained the gap by stating that prices were made up of two classes of costs. These were: A—Wages, salaries and dividends; B—Raw materials, bank charges, depreciation, etc., whereas purchasing power was only made up of the items under "A".

This is his celebrated A plus B Theorem. Lately, writers on Douglas Social Credit have placed more emphasis on his second explanation, namely, that the difference between production and consumption is due to the fact that repayment of loans, money borrowed to finance production, is charged into costs. This in turn goes into prices, for which no purchasing power has been issued.

Premier Aberhart explains the gap between production and consumption in an entirely different way. Lack of purchasing power, according to his Manual, is due to

(a) Replacement of man-power by machinery.
(b) Profiteering, as exposed by the Price Spreads Enquiry.
(c) Investment of surplus funds in bonds instead of in the realm of commerce.

In another part of his Manual he gets "price spreads" all tangled up with "unearned increment", but while in the end he entirely misses the mark, the foregoing explanations do get nearer the real answer than do those of Major Douglas.

Major Douglas proposes to make up the lack of purchasing power in two ways. First, by what he calls the National Discount. Under this, the retailer would be compelled to sell goods at a certain percentage *below* cost, to make the total prices of all goods equal to the total purchasing power available.

He would make up the loss to the retailers by issuing them credit from the National Treasury. He calls the reduced price the Just Price. Except for this National Discount he does not propose to fix prices. In fact, Douglas writers deride price-fixing as futile.

Premier Aberhart proposes to establish his "Just Price" by fixing prices on everything. Then he goes Douglas one better. He

proposes a Discount off the Just Price, to encourage the sale of goods. This he calls the Compensating Price.

Douglas proposes to supplement the National Discount by a National Dividend primarily to take care of those unable to engage in remunerative work. Aberhart would issue a Basic Dividend to everybody, whether they worked or not.

Douglasites say that the National Dividend will come out of the increase of production over consumption. Aberhart says that the Dividend will come out of the "unearned increment", which is not the same thing, as we shall see presently.

Both Douglas and Aberhart are strongly opposed to any form of socialization, but:

A Douglas writer, Clive Kendrick, says that under Social Credit, "All capital equipment could then be made in a planned and orderly manner as required, and *would be held in trust for the nation*."* If this does not mean socialization, what does it mean?

Aberhart says of the wealth made possible by science and modern machinery, ". . . . this great wealth is being selfishly manipulated and controlled by one or more men known as the "Fifty Big Shots of Canada" (a phrase borrowed from C.C.F. literature, by the way). Social Credit claims, he goes on to say, "that this cultural heritage *is the property of the individuals who are bona fide citizens of our province*".§ If this does not mean socialization, what does it mean?

"The National Dividend would not be paid out of profits," says another Douglas writer, A. L. Gibson.* Aberhart proposes to tax profits along the line to provide the "Dividend".

Mr. Aberhart, on page 53 of his Manual, says: "It is not the intention of Social Credit to confiscate or take away anything from those that already have it". Two pages further on he says that it is the intention under Social Credit to limit the income of citizens to a certain maximum.

We conclude this little chapter on contradictions with the most significant of them all.

If you admit the right of a man to a share in a certain piece of property, that is the same as admitting his right to part ownership, isn't it? Both Douglas and Aberhart admit the right, claim the right in fact, of every citizen to share in the National Income. They propose to help them to get it by giving them dividends on it. Mr. Aberhart definitely says that natural resources and certain other forms of national wealth are rightfully the property of the citizens. Yet both he and Douglas propose to leave that "heritage" the private property of "those that already have it". Why? Just so that the few can continue to exploit the many? Think *that* over.

* "The National Dividend." § "Social Credit Manual."

IV

Purchasing Power

Question—*"Can everybody be given "purchasing power" for nothing, without taking anything from anybody?*

Social Credit makes a direct appeal to people because it touches them right where they are hurt. They are poor because they have no money. Social Credit promises to provide the money. Sounds good, say the moneyless, let's go!

It is probably not far from the truth to say that most people think that all our troubles are due to a shortage of money. Some say there is not enough money issued. Others say there is plenty of money in the country, but the wrong people have it. Others again say that if the people who have the money would only get out and spend it, everything would be right.

To blame our troubles on money shortage is very natural. The man who loses his house because he is unable to keep up the payments, knows quite well that all he needs is the money. The mother who cannot buy needed clothing for her children knows that if she only had the money she would not have that problem to worry about.

So when somebody suggests that the government should issue more money, or make the banks issue more, the idea looks good to a lot of people. They don't worry about inflation. They have only the foggiest notion of what "inflation" means. All they know is that they are short of money, that if they could lay their hands on some money they could buy the things they need.

Some people do understand what inflation means. They know that if more money is issued without any increase in goods, the final result will be an increase in prices, and nobody will be any better off. But many of these also believe that, somehow, it is lack of money that causes them all their troubles.

Then along come our Social Credit friends and say, "We have a plan for issuing purchasing power to everybody without any inflation". That pleases everybody who thinks that all of our economic difficulties are due to shortage of money. It pleases those who do not worry about inflation and those who do.

When on top of that Social Crediters assert, as Mr. Aberhart

does, that it is not the intention "to take away anything from those that already have it" a lot more people fall in line; people who, though well-nigh ruined by the so-called depression, still have a little "stake" in the country. It is such a nice comfortable feeling, just when it began to look as though Socialism with its "dividing-up" ideas was gaining ground, to be assured that everybody can be taken care of without anybody losing anything.

Can it be done? All the goods in the country are now, and at any particular time, *owned by somebody.* It may be that some of the people who own goods have no moral right to them, but they do own them and, except for bandits and their kind, they own them legally.

If Mr. Aberhart gives me an order, or a credit slip, or a dividend certificate, or whatever he may call it, for $25.00, I can buy, say, a suit of clothes with it. Somebody has to supply that suit of clothes.

Right, says a Social Crediter, but the tailor can then buy something he wants with that $25.00. He does not lose, and it is the same all down the line.

Is it? Remember I was given that $25.00 dividend for nothing. I did not put any goods on the market for it. If ninety-nine people put $25.00 worth of goods each into a community storehouse, and one hundred people come along later, each of them with a warehouse receipt for $25.00 worth, somebody is going to be out of luck. If the extra man, who managed to secure a receipt without putting any goods into the common stock, should happen to be among the first to put in his claim, some other citizen, the last to arrive on the scene, would find himself the possessor of a worthless piece of paper.

Suppose a community of one hundred people started on the Aberhart plan. Let us say that ninety of these were at work producing goods. Suppose each produced goods to the value of $25.00 per month. Along comes Mr. Aberhart and gives everybody—100 people—$25.00 to spend, total $2,500.00. Who goes short? Somebody, that is clear, since the goods available only totalled $2,250.00 in value.

But, I shall be told, that is not a fair example. What Social Credit will do is to issue purchasing power to enable people to buy goods that cannot be sold otherwise. Alright. In the example just given I was trying to use the simplest illustration possible. Let us try to work out this other proposition, goods that cannot be sold for lack of purchasing power.

Take the same community of one hundred people. Because of the world depression, or the war of 1914, or for any other reason, let us say that fifty of them are unemployed. The other fifty pro-

duce, say, $50.00 worth of goods each. They only need $25.00 worth each, so would like to sell the other half of their production. The fifty workers could, of course, exchange their surpluses among themselves, if they so desired, and each would still have fifty dollars' worth of goods of one sort or another. But if for any reason they did not wish to do this, they would have between them, $1,250.00 in unsaleabl egoods. Social Credit steps in, gives each of the fifty unemployed $25.00, and presto, the goods are sold!

True enough, but the fact remains that this was not accomplished without "taking anything from anybody", and that is the question we are discussing in this chapter. Each of the fifty producers has given up $25.00 worth of goods, and the credit slips they hold in exchange can only be used by them when more goods are produced—by themselves!

But, argue some Social Crediters, the issue of these credits will increase demand, and more goods will be produced to meet that demand. Let us look into that. Suppose the fifty producers, to meet the demand for that additional $1,250.00 of purchasing power, produce that much more in goods. The fact still remains that it is *their labor* that has gone into the production, and that instead of having $75.00 each for that additional labor, they are left with $50.00 worth each. Whether they need that extra amount of goods or not, is not the question. The point is, and it surely must be clear by now, that under no imaginable circumstances, can anybody be given a claim on goods for nothing, unless somebody else gives up those goods—for nothing.

Still we shall be said to be wrong. Another Social Crediter will rise to tell us that the "Basic Dividend" of Mr. Aberhart is to come out of "unearned increment". Here we must take a little time to see just what the "unearned increment" is— and *where* it is. Clearly that extra $25.00 mentioned in the preceding paragraph would not be "unearned increment". The fifty workers labored to produce it. Mr. Aberhart says the unearned increment is an increment or increase in price, not earned by the owner or producer of the goods, but caused by the presence of other people, whose demands give the goods their increased value.

We might point out, in passing, that things do not always work out that way. Many goods can be bought much cheaper in large centres where the demand is greater, than in small localities where the turnover is slow. Mr. Aberhart, in another part of his Manual, admits this.

The point is, that whatever the "unearned increment" may be, and however it arises, *it is owned by somebody*. Sometimes Mr. Aberhart and his followers write and talk as though the "unearned

increment" were hanging on trees waiting to be picked off and handed around. So that Mr. Aberhart's plan amounts to just this: He is going to provide everybody with a "basic dividend" with which to buy the necessaries of life, by *fixing prices and taxing profits.* Which is taking something from somebody, after all.

Very well. If Mr. Aberhart, by his plan, can succeed in diverting the wealth that now flows into the pockets of the over-rich, into the hands of the masses, no one will quarrel very much with him, except perhaps the rich. But if that is his purpose, why does he keep on saying that it is not the intention of Social Credit to "take *anything* away from those that already have it"? And why, in almost the same breath, promise to *reduce taxation?*

Let us carry this enquiry a little further.

What is Purchasing Power?

The basic mistake of Social Crediters is in thinking that money is purchasing power. It is nothing of the sort. It is a medium of exchange.

If money were purchasing power we could all be rich tomorrow. Just let the government credit each citizen with a million dollars and Canada would be a nation of millionaires. Absurd, you say. Of course it is absurd, but if it cannot be done in millions, it cannot be done in thousands or hundreds, or in twenty-five dollar payments.

"Money not purchasing power?" exclaims Mr. Average Citizen, "you're crazy! Give me a hundred dollars, or fifty, or five. I'll soon show you that it is!"

To think of purchasing power in terms of money is quite natural. In these days we live and move and have our being by the use of money. When we have no money we are "up against it" and have to go on relief. So most of us get into the habit of speaking of money as purchasing power.

Nevertheless, money is *not* purchasing power. Purchasing power consists of *goods and services.* Money is the means by which goods and services are exchanged. "Purchasing" is only one-half of the process of exchange. The other half is production and sale.

Under our present system of producing goods for sale there are only two ways by which I can obtain purchasing power. I can produce my own purchasing power, or I can have it given to me.

If I produce my own I do this by producing goods or by giving some form of service. I can then proceed to exchange these goods or services for the things I want. I make the exchange by selling my goods or services for money, and use the money to buy what I want. It is, as you will readily see, the goods or services I produce that give me my purchasing power.

Purchasing power may be given to me. It may be given voluntarily, as in the case of bequests or gifts or charity. It may be given involuntarily, as in the case of pensions paid out of taxes, or as in the case of interest, profits, or burglary. What I get, with or without the consent of the giver, is in reality, goods and services produced by someone else. I shall most likely get it in the form of money, which simply means that goods or services have some time previously been produced and sold for money. Somebody, somewhere, has given up a portion of his production, his real purchasing power, so that I might use it.

No matter how obtained, there is no purchasing power that does not arise from the production of goods or services. Purchasing power, therefore, cannot be *created* merely by the issuance of money or credit. Both Douglas and Aberhart attempt to do the impossible when they propose to extend the "purchasing" half of the process of exchange without touching the other half.

Purchasing Power Transferred

There is, however, another angle to this question of purchasing power which must not be overlooked. Purchasing power can be *transferred.*

When the Winnipeg Free Press stated recently that goods and services produced their own purchasing power it was quite correct, although the statement was ridiculed by a Western Canadian paper supporting Social Credit. What the Free Press omitted to point out was the fact that purchasing power is transferred, under our present system, arbitrarily and in huge proportions, to a favored few.

It can be transferred by an excess issue of currency or credit; that is, by inflation. When such inflation takes place the final result is, as we have already said, a rise in prices, so that the community as a whole is worse off than before. The comparatively few people who can buy before the rise in prices, do gain, but what they gain the rest of the community loses. In the end, inflation enriches some at the expense of the rest.

There are other ways of transferring purchasing power. These are more important to us in this present study, for they are in operation all the time, and are closely related to the whole problem of poverty in the midst of plenty.

This continuous transfer of purchasing power is made possible by our system of production for profit. When the wage-earner and the farmer secure for their labor only enough to provide the barest necessities, all the rest of production becomes the property of the capitalist owners of the means of production. An enforced transfer of purchasing power from the producers to the owners has taken place.

Monopoly prices, profiteering, over-capitalization, watered stock,

interest on public debt, and other methods of high finance, carry still further the process of robbing the producer of his purchasing power. When, for example, a manufacturer sells an article for $5.00 that cost him only $1.00 for labor and material, the buyer of that article has in reality surrendered five dollars' worth of goods for one dollar's worth, and has transferred purchasing power for the difference to the manufacturer. What happens in such a case happens also in the other types of high finance we have mentioned.

Only to the extent that Social Credit could succeed in transferring *back* some of that purchasing power to the producers, or to consumers generally, would it be of any value.

It is clear, however, that this cannot be done, as Mr. Aberhart says it can, without "taking anything away from those that already have it", nor without heavy taxation.

"Why not?" someone will still enquire. "What about Bank Credits? These are nothing more than bookkeeping entries. Do they not create purchasing power?" No. Bank Credits do not create purchasing power. They merely transfer it, or rather anticipate it. When a manufacturer gets credit from the bank to buy, say, raw materials, he repays the loan when he sells the finished products; that is, when he has recovered the cost of the raw materials, plus wages, plus profits, from his customers. The bank credit enabled him to use his customers' purchasing power *in advance.* When the transaction was completed, there had been an exchange of goods and services for the goods of the manufacturer. The bank credit was merely an instrument in that exchange. Both the bank and the manufacturer may have made undue profits, but that again, was on the part of the customers, an involuntary transfer of purchasing power.

So we must still insist that only by transferring back some of this purchasing power could any scheme of Social Credit function in the interests of the people.

Douglas and Aberhart repeatedly deny that they intend to redistribute purchasing power through taxation. In fact they have no thought of *redistributing* purchasing power in any shape or manner. They propose to create it.

We have shown that purchasing power cannot be created by the mere issuance of credit. Whether it could even be transferred through taxation, we shall see as we delve a little deeper into our problem.

V

Dividends Without Working

Question—"*If every citizen is provided with the necessities of life without giving anything in exchange, what do those who produced those necessities get in return for their labor?*"

This is really a re-statement of the points raised in the preceding chapter, only here we look at the problem from the standpoint of the *producer* rather than from that of the *owner* of commodities.

The matter can be stated very shortly. In spite of the displacement of human energy by machinery, no wealth is produced without labor. Where labor has been displaced, the wealth produced by the machine goes to the owners of the machine. By wealth, we mean of course, not money but goods — food, clothing, homes, equipment, and so forth. For his labor in producing some of these goods the farmer is paid in the price he gets for his produce, less his production costs; the industrial worker is paid in wages. Between the producer and the consumer there is the distribution system, including transportation and merchandising. Here again services which add to the value of goods are paid for in wages to the store clerk and the transportation worker. The merchant receives payment for his services in the form of a profit on his turnover. Where this does not exceed the value of his services, these payments to the merchant are not "profits" as we use the term in this discussion, but in reality are wages.

These producers of goods, and of services which add value to the goods—the worker, the farmer, the storekeeper, receive out of the total production only a fraction of it for their own use. Everything over and above these labor costs goes in the form of rent, interest or profits to the owners of the industries concerned.

Very well. As we said in the last chapter, all the goods in existence at any time are *owned by somebody*. If therefore everybody is supplied with food and clothing and shelter without being obliged to replenish the general stock of such goods to at least an equal amount, what will happen?

These necessities will be produced by the labor of some of the people and by the machinery owned by some others. The actual producers will be given a claim on some of these goods through wages and prices as shown above. All the rest of the goods will be the property of the owners of industry.

Clearly then, if everybody else, not engaged in production, is also given a claim on some of these goods, their share will have to be taken from one or the other of the two groups of people who are engaged in production; from the producers or from the owners.

These necessities, supplied to everybody regardless of whether they are engaged in production or not, will have to be taken out of the goods available to the producer for his wages or income; or they will have to be taken out of the goods remaining in the hands of the owners of industry as profits. *There is no other place for them to come from.* In the words of Marcus Hyman, M.L.A.: "You can get something for nothing. You cannot get something out of nothing".

If these necessities are taken out of the surplus which goes into profits, we shall have a forced redistribution of wealth. Under our present system, which Social Credit proposes to retain, this can only be done through heavy taxation.

Since Social Credit promises not to increase taxation, but actually to reduce it, we are left with the only alternative. These necessities must be supplied from the only other source. They must be taken from the stock of goods now available for wages and producers' incomes.

In short, if the wealthy owning class is not to be taxed to provide the goods which will be demanded by the holders of Social Credit "basic dividends", it will mean reduced wages for the worker, lower prices for the farmer, a general lowering of the standard of living for the producing classes.

Social Crediters may not intend this, but it is what will happen, with all the means of production privately owned, and that ownership concentrated in few hands. We know quite well what happens today. Big Business makes sure that the burden of taxation is passed on to the masses.

We have a classic example right here in Manitoba. Relief for the unemployed, sometimes quoted by Social Crediters as an example of the "basic dividend", is financed by borrowing.

The wealthy classes lend their purchasing power to the governments, who in turn dole it out to the unemployed. It is not really money which is lent; it is the claim which the owning class has upon the wealth production of the country.

Later on, that purchasing power has to be restored to the owning class, with interest. What really happens is this. Mr. Owner, with profits say of $50,000.00, decides to buy government bonds instead of a yacht. Instead of using his purchasing power to obtain a yacht, he allows the government to use it give beans and bread to the unemployed. But it is still *his* purchasing power, and

he expects, later on, to see it increased through interest so that he can obtain his yacht plus a summer home at Kenora.

Who, in the end, hands him back his yacht and throws in the summer home for good measure? Well, we have already referred to a classic Manitoba example. To meet the interest charges on borrowings by our local government for unemployment relief, necessary social services were reduced, and when these "economies" failed to meet the bill, a two per cent. tax on wages was imposed!

By these taxes on the poorer classes, and by the restriction of social services, the standard of living is reduced. The producing classes are in this way compelled to do without things in order to provide a "dividend" for the unemployed. The same thing would happen under Social Credit, unless a Social Credit government were willing to throw overboard all the nonsensical talk about reducing taxation, and were in addition clever enough and powerful enough to make the wealthy owning class pay the whole cost.

This, even if it were possible, is most unlikely to be tried by any Social Credit government either of the Douglas or the Aberhart variety. Both of them base their whole theory on the retention of the profit system. Profits, as we have shown, represent purchasing power vested in the hands of the owners of industry, as their share of the general production. To transfer that purchasing power back to the masses by way of taxation, is to minimize profits, that is to say, to destroy the whole basis of capitalist production.

With all power over the economic life of the country in the hands of the small owning class, any such "Tax the Rich" policy would not get very far, even if it were begun.

The answer to our question therefore appears to be that any effort to provide all citizens with the necessities without working, would simply mean a general reduction in the standard of living of those who are engaged in the job of producing those necessities, *so long as private ownership of the means of production continues.*

VI

Dividends Without Owning

Question—*"Can Social Credit be made to work, with all the principal means of production and distribution in private hands?"*

This question sums up the points raised in the two preceding chapters. Can dividends be declared on property we do not own? That is what Social Credit proposes to do.

Mr. Aberhart says that "the State shall be viewed by its citizens as a gigantic joint-stock company with the resources of the province behind its credit. The bona fide citizens are each and all shareholders entitled to basic dividends. . . . "

Morally, that is all right, but we are examining cold, hard facts; not what ought to be, but what is. And we know that the gigantic joint-stock company of Mr. Aberhart's imagination, owns very little. A few of its citizens own practically all the resources and equipment in the State.

For Mr. Aberhart to distribute dividends to his "bona-fide citizen shareholders" giving them a share in the production of these resources, he would have to go over the heads of the legal owners and managers. *He would be invading the rights of private property.* If tens of thousands of citizens who have never invested their "hard-earned savings" in the various private enterprises are nevertheless going to be given dividends on them, what becomes of the "sacred rights" of private property, which Mr. Aberhart and Major Douglas promise to uphold?

Well, of course, it will never come to that. We have shown in previous chapters what is most likely to happen if the attempt is ever made. Owners of such "private property" will insist upon their legal and "moral" right to manage their own affairs, to distribute the returns from such property to those who have "invested" in it, and to no one else.

Let us look at this matter of ownership another way. I have already suggested that the reason so many people "fall" for Social Credit is that they think all our troubles are due to a shortage of money. That is, in fact, what Social Crediters say. Here is Mr. A. L. Gibson, a chartered accountant, a supporter of Major Douglas, who writes as follows: "Man is now at the threshold of

the Age of Plenty and Leisure. *Only money locks the door against him."*

Well, now, who really does lock the door? Suppose one man in Canada, let us call him Holt, owned all the country's natural resources, all its farms, all its factories, all its transportation systems, all its wholesale and retail stores.

Suppose another man, call him Leggo, owned all the banks, all the money, and had the sole right to issue credit or "anything that could be used for money".

In a fight for mastery between these two, which would you back to win? Think now, before you answer. You should not need to think very long. Which one would starve to death first, if neither of them could get access to the other's "property"?

To which of these two men would you have to go in order to live; to Mr. Leggo, who has all the money, or to Mr. Holt, who owns all the sources of food, clothing, fuel and shelter?

Suppose Mr. Leggo said to the rest of the people: "Look here, folks, you are poor and starving because that Big Shot Holt controls all the goods in the country. I will give you twenty-five dollars a month each." Then suppose Mr. Holt politely told Mr. Leggo to jump in the lake and take his money with him?

Don't you see? It is not money, nor the amount of it, nor the control of it, that is at the bottom of our trouble. It is the ownership and control of the *goods we need* in order to live that is the important thing.

Yes, I know; there is a lot wrong with the money system, and private juggling with currency and credit for private profit makes a bad matter worse. But the most perfect money system in the world would not help Mr. Leggo so long as Mr. Holt owned all the rest. Ask these money experts just how they would help Mr. Leggo.

The situation is exactly the same if fifty or a hundred men own the means of production, and another fifty or hundred own the money. It is the same if a small group own the means of production, and the government the money. Those who own the means of life can snap their fingers at those who only own the money, just as Mr. Holt could snap his at Mr. Leggo.

Do you want them to snap their fingers at you, running around with a certificate which presumes to give you a dividend — on something you do not own?

Two Kinds of Production

There is another phase of this ownership question that we must not overlook. It may be a bit technical, but it is very important.

Production consists of two classes of goods. The first is *con-*

sumption goods, things produced to be consumed or used by individuals. Here we have such things as food and clothing, fuel and houses, radios and automobiles. The second class is *capital goods*, such as machinery, and power plants, and railroads.

Consumption goods go to those who spend their incomes whether wages or otherwise, on such things for their own needs or pleasure. Capital goods go to those who have money to invest.

Under our present system, when so large a proportion of the wealth of the country goes to a comparatively few people, more and more of the "purchasing power" goes into "investment" and less and less into consumption.

Major Douglas and Premier Aberhart look at the TOTAL production, then they look at the amount of purchasing power in the hands of the consumers. They find as we all do, that the purchasing power is away below the total production, and they propose to issue "social credit" for the difference.

Here for example, is a Social Credit Balance Sheet, made up by Mr. A. L. Gibson to illustrate how the Douglas system would work.*

Debits		*Credits*	
Consumption	**Millions**	**Production**	**Millions**
People's goods sold retail	1,100	People's goods	1,100
Depreciation of business equipment	200	Business goods	700
Exports	200	**Imports**	200
Total	1,500	Total	2,000
Balance	500		

If these figures were shown, says Mr. Gibson, then the difference between the consumption column and the production column, which is 25 per cent., would be turned into "purchasing power" by a National Discount of 25 per cent.

But what could that increased purchasing power buy? If you will look at that balance sheet you will see that the whole difference is made up of "business goods", that is capital goods — more equipment. The purchasing power for this *has already been created.* It consists of the surplus value which has gone to the owners in the shape of interest and profits, and it has been spent through investment in these capital goods. For a chartered accountant, as Mr. Gibson is, this is about the craziest sample of frenzied finance I have seen for a long time.

Social Crediters talk about "monetizing" the machine. They overlook the fact that the machine has already been monetized, through the investment process. They overlook the simple fact that consumers could not purchase the total production in order

* "The National Dividend", page 38.

to use it, since a large part of production is "capital goods" not available for consumption.

Even under complete social ownership, production would always be in excess of consumption. Provision would have to be made for machinery and other forms of productive equipment. But under social ownership a proper balance between the two kinds of production could be maintained, and sufficient consumption goods could always be produced to meet all the needs of the people.

Under private ownership of the means of production, with profit as the sole motive, the result is always a disproportion of the investment type of purchasing power in relation to purchasing power for consumption. When surpluses cannot profitably be invested in new capital enterprises, they are invested in government bonds, thus adding to the burdens of the people through interest payments on the public debt.

VII

Dividends from the "National Credit"

Question—*"Can purchasing power be issued to everybody for nothing without their having to pay it back, and without inflation?"*

Social Crediters assert that purchasing power can be given to everybody, under the present system, without inflation, without taxation, without taking from the rich to give to the poor, without disturbing the profit system.

It is a charming prospect, especially for the rich. Our enquiry, however, rather points to the necessity of disturbing the present owners of the means of life, if the rest of the people are to enjoy security and plenty.

Let us look a little more closely than we have so far, into this matter of inflation. It is a very important side of this question because inflation, you see, means that the people will be paying back in high prices all that they receive in "purchasing power".

When Social Crediters are asked where these "Dividends" and "Discounts" are to come from they usually reply, rather vaguely, "out of the National Credit". In some mysterious way, never clearly explained, the National Credit is supposed to be able to supply millions in additional purchasing power without causing inflation.

The best way to follow this through is to take from Major Douglas himself an example of "how it can be done". As we have already explained, the Douglas system proposes two methods of distributing purchasing power. One is the Dividend, the other is the National Discount. It is the last-named upon which Douglas lays the greater stress.

Under the National Discount consumers obtain goods at a certain discount below cost, and the National Treasury makes up the difference. Usually the proposal is that the manufacturer or retailer sell the goods at the lower price, and have the difference made up to him by the Treasury. In the example we are about to quote, however, Major Douglas suggests that the consumer pay the regular price, and then obtain the discount as a sort of rebate from the Treasury. The result is the same in the end — the Treasury pays the difference between the regular price and the "Just Price". In this way, say Douglas Social Crediters, everybody will have additional purchasing power, more goods will be sold, and there will be no inflation, no rise in prices.

Here is how Major Douglas explained it to the Macmillan Committee on Finance and Industry, appointed by the British Government in 1930. Asked to show how his plan would work in actual practice, he answered, "I have worked out one mechanism for it", and gave this example: (We have changed "pounds" into "dollars", otherwise we give the Major's own words) :—

"Supposing that you sold a motor-car for $1,000—the consumer would pay $1,000 as at the present time and receive an account for it; he would be given a receipt for the $1,000. He might conceivably turn that receipt into his bank, which would credit his account with, let us say, $250." (Major Douglas here assumes that the National Discount is 25%.) "The bank might collect the whole of these consumers' credits at any suitable period and turn them over to some Government department like the Treasury, which would credit the bank with the amount that it had credited the consumer. That would finish the transaction so far as the mechanism is concerned. . . . "

But the Committee still wanted to know where the Treasury got its credit. Here was his answer: "The Bank of England at the present time supplies the Treasury on Ways and Means Account out of the credit of the country. That is simply the creation of fresh money. That is the case I think." A little later, in answer to another question, Major Douglas insisted that this would not mean that the Treasury would be paying 25% of the cost of the car. The seller obtained his full price, the consumer saved $250 on the purchase, the bank got the credit it had advanced back from the government, the Treasury had not really paid anything! Naturally, the committee still wanted to know where the Treasury got that credit.

Here it should be remarked that Major Douglas overlooked one simple little fact when he talked about the Bank of England advancing credit to the National Treasury. These advances are *loans*, and have to be paid back. In Major Douglas' example of the car, there was no question of the customer paying back that $250. It was *given* to him, to do with as he chose.

After a number of questions on this point, Major Douglas finally explained that "the whole of the price which is collected from the public becomes an item for cancellation, just as it does at the present time".

In other words, the idea seems to be that when the Treasury issued this credit for $250 it would be just an entry on the books, which would be cancelled when the sale was completed. The same would be done with the millions upon millions of transactions that take place with other commodities, and there would be no inflation, no rise in prices in spite of the great increase of money in circulation.

But another simple fact overlooked by Major Douglas is that there is no way of cancelling, of taking this extra credit out of circulation, and so preventing inflation (except by taxation, which he insists is no part of his policy).

When a bank issues credit, it has to be repaid. When it is repaid, the banks can take the amount out of circulation. But when the National Treasury issued credit under the Douglas scheme, it would not be repaid. The customer who received the $250 rebate on his car could use it to make other purchases. It would become private property and would stay in circulation. Multiply that $250 over and over and over again to cover the "National Discount" on all kinds and quantities of commodities, and it is obvious that there would be a flood of additional money in circulation which could not be recalled. The immediate result would be a swift and continuous rise in prices, and the inhabitants of any country which tried it out would find themselves in the unhappy position of the German people after the War, when it took a barrel of money to buy a loaf of bread; when workers rushed to spend their wages as soon as they got them, in frantic effort to get ahead of skyrocketing prices.

Unlike Major Douglas, Mr. Aberhart does appear to see this point, in spite of his promises to reduce taxation, for he undertakes to recoup the Treasury by what he calls a "Scientific System of Recovery."

This "Recovery" proves on examination to be nothing more nor less than a glorified sales tax. Glorified, I am afraid, will hardly be the word used to describe it if the fact is ever driven home by experience.

So we can sum up these two proposals for creating "purchasing power" out of nothing in one word for each:

Douglas—*Inflation.* Aberhart—*Taxation.*

In the realm of economics at least, there is no Santa Claus!

VIII

Forward Stepping or Side-stepping?

Question—*"Is Social Credit a logical first step to Social Ownership?"*

There are those who say to members of the C.C.F. something like this: "Why doesn't the C.C.F. join up with Social Credit?—both are after the same thing."

Some members of the C.C.F. have said, "The C.C.F. ought to put Social Credit in its platform. After all, Socialism will be a long time coming, and the people want something done right now. Social Credit offers immediate relief. If it does not work, a C.C.F. government would still have its other proposals to fall back upon."

Or they will put it this way: "Social Credit is an honest attempt to give everybody a share in the national wealth. If it is found unworkable under private ownership of the means of production, then social ownership would naturally follow".

Some even go so far as to suggest that Major Douglas really knows that Social Credit will not work of itself, and that his plan is a clever scheme to get in the thin edge of the wedge for Socialism!

To me all this is just so much wishful thinking. Such arguments are usually offered by people who have not yet quite shaken off the old fallacies about individual initiative and private property. They have not yet wholly accepted the idea of social ownership of the means of life. They would like to have their cake and eat it too.

We must make a decision one way or the other. If Social Credit can abolish involuntary poverty; if it can give security and health and happiness to all, then the C.C.F. proposals are unnecessary, and its entire program had better be abandoned. Social planning, socialization of finance, socialization of industry, import and export boards, public health services, and all the rest of it are just so much excess baggage impeding progress, if the mere issue of credit slips can do the trick. If Social Credit can be made to work, in the way its advocates say it will work, Capitalism remains, Socialism is nothing but an idle dream.

But—if Social Credit cannot do these things; if our analysis has proved the fallacy of the theory, what is the object of playing up to it? The cynical among us may say it is good politics. "The

people seem to be falling for it in a large way. It sounds so simple; the C.C.F. policy is over their heads. Get into power on the Social Credit bandwagon. Once in power you can do the things that need to be done."

That, I hope, is not the C.C.F. way, nor is it likely to prove good politics, in the end. Before we had reached the stage where our real policies could be put into effect, the entire movement would likely be swept away in a flood of popular discontent and disillusionment.

Nor can we propose Social Credit on the definite ground that it is intended as a first step to Social Ownership. There is no necessary connection between the two, and to secure public support on that ground is to convince the people of the soundness and the necessity of Social Ownership anyway, which might therefore just as well, and better, be done in the first instance.

Since therefore there is no assurance that an unsuccessful experiment with Social Credit will lead finally to the adoption of Social Ownership; since the chances of a swing-over from one to the other are too remote to be worth the risk; since the advocacy of Social Credit would be leading the people up a blind alley, necessitating a long and painful backward trek; since we are convinced that Social Ownership must in the end be adopted to save civilization; let us in the name of common honesty and common sense keep our heads level, our eyes straight ahead, and our feet firmly marching toward that goal.

IX

If Social Credit Fails?

Question—*"If Social Credit does not lead to Social Ownership, to what may it lead?"*

Are you one of those people who will try anything once? Are you so "fed up" with your tough sledding through this never-ending depression that you are about ready to take a chance on any scheme that promises a way out?

Have you given up trying to figure out why things are as they are, because the complicated study of economics is "away over your head"? And such being your frame of mind, have you about decided to "take a shot at this Social Credit thing" because it sounds good and seems so simple, and because things couldn't be any worse than they are, anyhow?

Well, it may seem simple—but don't be simple yourself. It may be all right to try anything once, in some matters—but not always. This is literally a question of life and death, so better not trust too much to people who tell you not to bother your head about "how it works". Better make sure before trying it out, even once.

Without claiming the role of prophet, let us look into the possibilities. It is all right sometimes, as we have said, to take chances. In fact progress can only be made through willingness to experiment with new ideas, especially when the old methods work no longer. But it is also wise to count the cost, in the event of failure.

Since we are chiefly concerned with Canadian conditions, let us take the case of Alberta. Assuming that a serious effort is made to establish Social Credit in that province, the people there will find the following conditions brought about as a result of setting up the necessary organization according to Mr. Aberhart's announced plans:

1. Every producer, every merchant, every person who transports or handles goods, will have his prices and his profits fixed for him by government officials. Every detail of his business will have to come under state surveillance.
2. Every citizen will have to report to the government what he has done with his wages or other income, and with his "basic dividend". This will be necessary, and will require minute checking-up of every citizen's daily activities, since Mr. Aberhart asserts that "all basic dividend credit and all salaries or

wages or incomes from whatever source must be expended by the end of the year following the receipt of same."

3. Every citizen must be prepared to prove, whenever challenged by a government official, that he has spent his income wisely; for Mr. Aberhart says that if a citizen squandered his dividends and was hungry or improperly clothed he would be warned that he was "abusing his right and privileges and that it must be stopped or he would lose his dividends".
4. While the ordinary citizen would thus be under the day to day supervision of government officials, his expenditures, and therefore his mode of living, decided for him, *the ownership of the principal means of production and of distribution would still be in private hands.* Big Business would still be Big Business. Mr. Aberhart, you see, does not intend to "take away anything from those that already have it".

These, then, to say nothing of all the other ramifications that such a system would naturally develop, would be the conditions prevailing in Alberta at the very outset of the experiment. It would be a situation ripe for the establishment of a Canadian brand of fascism. Consider what would likely happen when the futility of Social Credit became apparent.

After a brief period of issuing dividends, if the experiment ever gets that far, Mr. Aberhart discovers that, after all, you cannot create something out of nothing. He finds that even with the most rigid and minute system of price-fixing, you cannot increase the amount of money and credit in circulation without raising prices, unless at the same time you make a proportionate increase in the quantity of goods. He finds that he cannot compel that increase of goods because the province of Alberta does not own the means of production. The private owners, finding perhaps more profit in investments elsewhere, do not respond to whatever sort of moral suasion Mr. Aberhart may have in mind, and the goods for which he has issued claims are simply not there to be claimed.

Mr. Aberhart finds too, that his so-called unearned increment levy is nothing of the sort, but turns out to be a tax on consumption, paid by the ultimate consumer. The ultimate consumer begins to realize that what he receives by way of dividend, he pays out by way of taxes, plus the heavy cost of administration.

What, under such circumstances, which are bound to arise if our analysis of Social Credit is correct, will the Social Credit government of Premier Aberhart do? What are the people likely to do?

With regard to the latter question the danger is that having been fooled once again by a will of the wisp, they will throw up their hands, say they are through with all these new fangled ideas, and

sullenly submit to a continuation of capitalist exploitation, minus the "dividend".

But if the people do not submit, if they clamor, what will Mr. Aberhart do? Will he acknowledge his error, tell the people that Social Dividends are only possible under Social Ownership, and in view of the urgency of the situation that will have developed, proceed swiftly and drastically with a program of socialization?

Will he be able to do this, after having given hostages to capitalism, and with Big Business still in the saddle? Or will he, in obedience to the power still behind the throne, and in order to "maintain the credit of the province", proceed to extend the powers which he has already taken, until he has set up a political dictatorship?

Those C.C.F. supporters who have a sympathetic "slant" toward Social Credit will naturally look for the first of these alternatives I fear, however, that they reckon without their host, their host in this instance being the capitalist owners of the means of life plus a government pledged to maintain the profit system.

Let us look for a moment at the philosophy back of the Social Credit movement. Its leaders, whether of the Douglas or the Aberhart school, are almost without exception violently opposed to socialism in any form. They stand for capitalist private property, for the profit motive in production, for the payment of interest, and support these essentials of capitalism with the now badly-frayed capitalist slogans of "individual initiative", "personal freedom", "reward of personal effort',, and so on.

Miracles have happened, but is it not rather too much to expect people with these views to make a sudden right-about-face, especially with their friends the capitalists still in control?

That invisible government will have some say in the matter. They will likely say something like this to Premier Aberhart: "We have allowed you to try out your fool notion because it suited us to have it so. It kept the people quiet a little longer—long enough to enable us to adjust our affairs. Now they are getting restive again—you have them pretty much in your hands—*tighten your grip!* There must be no disorder! It would be bad for the country, the constitution—and for us. *Tighten your grip.*"

That is just as likely to happen as the alternative hoped for by Socialists friendly to the Social Credit idea. Much more likely, in my opinion, because of the very nature of the Social Credit campaign.

Dr. John Lewis, in his book "Douglas Fallacies", points out the "curious similarity" between Douglasism and the economic programs of Hitler and Mussolini. I quote:

"Taking it all together we have a campaign which rallies the

small business man and bothered intellectuals; which launches a violent attack on Socialism; which attacks high finance and the banks; which insists on the legitimacy of profits and the necessity of private enterprise; which organizes a uniformed body of Greenshirts, strictly disciplined and led. What is this but Fascism in the making?"*

Mussolini, Hitler, Douglas and Aberhart all follow the line of blaming Finance alone for economic troubles, asd acquit industrial capital entirely. To the two first-named the masses gave up the last remnants of liberty for worse than a shadow; for economic and political slavery.

This, I am afraid, is the most likely outcome of any experiment with Social Credit.

* "Douglas Fallacies"—Chapman and Hall, London.

X

The Social Dividend

Its Place in a Social Ownership Policy.

It has already been stated in these pages that Socialists are in agreement with Social Crediters on the soundness of the Social Dividend idea. That is, they agree that every citizen, as rightful part-owner of the national heritage, is entitled to a share in the national income.

But we have also contended that a Social Dividend is only possible under Social Ownership. We have shown that so long as the national heritage, in the form of natural resources and the equipment of production, is privately owned, so long will the wealth produced from such resources go to those private owners, less the costs of production. These costs express themselves in wages and in prices to the primary producers, and are, generally speaking, no more than a bare subsistence.

Under Social Ownership of the means of production, it would be possible to organize these resources in accordance with a national plan. Under such planning all the requirements of the nation would be provided for in the correct quantities and proportions.

We have previously pointed out that production can be classified under two heads, consumption goods and capital goods. A third subdivision might be made, that of "social goods", things required for carrying on all governmental and community activities — libraries, parks, public works, roads, and so on.

With Social Planning in operation all these requirements would be estimated in their proper proportions; there would be no "surplus values" going into investment in superflous plant, speculative enterprises, over-capitalization, or public debt. What the nation required in order to maintain and extend its productive equipment would be provided for. What was required for social needs would similarly be provided for. All the rest of our productive resources, including the necessary man-power, would be devoted to producing consumption goods, things for the people to consume and use.

With productive equipment under Social Ownership the only limitation to such production would be the needs and desires of the people. Against the whole production of consumption goods there would be issued to all the people, through the socially-owned financial system, the necessary means of exchange, enabling each citizen

to procure his rightful share. What the difference in their respective shares might be between those who engage in productive work and those who are unable or are not required to work, need not concern us here.

Sufficient it is for our present purposes to know that we have all the necessary resources and equipment in the country to produce in abundance; to produce enough and to spare for the aged, the disabled, the children, and all those who at a certain age might be retired from active work with honor; enough and to spare to provide every Canadian citizen with a high standard of living.

Whether or not there should be any difference of income between various kinds of occupation, or between those whose labor is required in production and those who are not able or required to work, is perhaps a matter for argument, but at most it is a matter of adjustment as social planning gets under way.

The important thing is that under Social Ownership consumption will automatically balance with production. It will so balance because production will be planned to meet all the demands of consumption. The production of goods will, as now, provide the "purchasing power"; but that purchasing power, instead of flowing as surplus wealth into channels of investment will, subject only to the actual equipment requirements, all flow into the hands of the people.

Under Social Planning, the monetary system will become what originally it was intended to be, a medium of exchange; a means by which each citizen will receive "the full product of his toil" plus his full share of the national heritage, or rather of the national income derived from such heritage.

This is the Social Dividend in its only true, its only realizable form.

XI

Individual Liberty

Under Capitalism

Who was it who wrote of the crimes committed in the name of Liberty? Today the world is witnessing the spectacle of one nation after another losing whatever measure of liberty it hitherto possessed, and passing under the iron heel of despotism.

In many other lands not yet surrendered to dictatorship, inroads have been made upon the people's rights to life, liberty and the pursuit of happiness.

These things have happened under Capitalism, and because of the dire necessities of Capitalism. At the end of its tether, its hold upon the masses could no longer be maintained under any form of democracy. Fascism and Nazi-ism, foisted upon the people by tricking these abortions out in democratic, even in Socialistic clothing, are the natural and inevitable resort of capitalism in extremis.

Yet, in the sacred name of liberty, peoples everywhere are warned against Socialism; against abandoning the tried and true system established by their fathers! We are urged to preserve the capitalist system, because under it have flourished democratic institutions and individual liberty.

No one would be so foolish as to deny that under the present system democratic institutions have come into being, and the rights of the individual have been recognized. But in view of the fact that these institutions and rights are fast disappearing from large sections of the globe, it might be as well to see of what they really consist.

Individual liberty under Capitalism—what is it? The right to vote once a year, or once in five years, for someone to represent you on the city council or in parliament. The right to free speech (with certain limitations), to free assembly (with limitations), to a free press (if you can finance without advertising). What else? The right to live—if you can find work. The right to work? Yes, if you can find an employer. The right to starve, then? Oh, sure.

Please do not misunderstand me. I fully appreciate the value of the liberties we do enjoy. I could not be writing this booklet if they did not exist. But I contend, and contend strongly, that until we extend democracy from the political into the economic sphere we do not know what democracy means; that until the individual

has control over the means whereby he lives, he cannot know freedom.

So when people talk about preserving liberty by preserving Capitalism, answer them as Professor Frank Underhill suggested. Ask them whose liberty they are talking about. Certainly they cannot mean the liberty of the unemployed, or of the worker in daily dread of losing his job, or of the farmer facing eviction, or of the small business man carrying on only by grace of his creditors.

No. Under capitalism individual liberty is for the few at the top alone. Such political liberty as the masses may enjoy does not give them the liberty to live the abundant life—and even that political liberty is in grave danger of extinction as capitalism reaches full fruition.

Under Social Credit

A paragraph or two will suffice to outline the possibility of individual liberty under a Social Credit regime. We have, in fact, fairly well reviewed the probabilities in previous chapters.

In his Manual, Mr. Aberhart talks largely of the "decentralization of power" and the "rewarding of individual effort to the full possible enjoyment of the good things of life".

We have shown, however, that the machinery he proposes to set up to put Social Credit in operation involves state control to the most minute detail over the day to day activities of every citizen, even over his habits.

We have shown, too, that the ordinary citizen is to have no control, no voice in the management of the vast enterprises upon which, under modern methods of production, he depends for life itself.

We have shown, further, that the Social Credit campaign bears a sinister likeness to the beginnings of the Fascist regime in Italy, and to the early days of the Nazi movement in Germany.

The possibilities of any extension of individual liberty under Social Credit, assuming for the sake of argument, that it can ever be started, are extremely remote. That such liberty could be extended to the economic sphere, with that sphere still controlled by the small owning class, is obviously out of the question.

That such individual liberty as may exist at present might easily be lost when Social Credit fails, and a dictatorship is set up to squelch the resultant turmoil, must be quite obvious too.

"Eternal vigilance is the price of liberty." Let there be vigilance here!

Under Social Ownership

The plain fact of the matter is that the liberty of the individual is bound up with the society in which he lives. If that community is truly free, so is each soul of which it is composed. No country can exist half slave, half free, said Abraham Lincoln. No country can boast of freedom when the vast majority of its citizens are in economic bondage to a few financial and industrial overlords, as we are in Canada today. The chains of bondage can only be broken when the people take the place of the overlords, and own and control the means by which they live.

The setting up of a system of Social Planning under Social Ownership does not mean a rigid bureaucratic control over the individual citizen, as its opponents would have you think. With workers and producers having a voice in the management of their respective industries, and with democratic selection of public representatives, there would be no more bureaucracy than there is today in the running of a municipal hydro-electric system. Public ownership and control would be substituted for private ownership and control—and *all* the benefits of modern productive methods would go to the new owners.

Under such a system of society, based as it would be upon co-operation, with the capitalist dictatorship broken, with the burden of debt lifted, with the fear of poverty removed, with the grim struggle for a mere existence no longer necessary, with the abolition of slums and slum life—with minds and spirits freed from most of the ugly things that thwart our highest aspirations and deny expression to our finest talents, the gates to real freedom would be wide open to all.

Liberty, based on justice, and attained through co-operation, is the goal of the Socialist movement, the purpose of the C.C.F. program. It is the fundamental reason for its existence. It is the ideal that gave it birth and inspires it to carry on through defeat after defeat. It is the source of that strength which enables it to withstand all forms of opposition — misrepresentation, calumny, persecution. It is the goal toward which all mankind has striven, and which one day will be achieved.

What, then, does human freedom mean? It calls for an opportunity to really enjoy the existence we struggle to maintain. It involves a chance to live a creative life, and to make those contributions a man feels are wrapped up in his distinctive personality. It means that the machinery by which existence is maintained does not absorb the whole of a man's time and energy, but rather is put in its place in order to leave a man free. . . . . The economic side of life is but a means to an end, like breathing itself. The end is life, creative, cultural, social, religious, recreational, distinctively human. . . . .

The freedom proclaimed by individualism is but the freedom of the jungle, freedom to exploit or to be exploited. The freedom proclaimed by Socialism involves a liberation from the field and the shop and the office and the market-place as life's only realm. . . . .

The hour has struck when the advocates of Socialism must proclaim the whole of their gospel. Theirs is a movement seeking to carry democracy over into the economic sphere; theirs is an alignment with the exploited and dispossessed, theirs is a concern for brotherhood and a human sort of world; theirs is a fight for security and protection for all, and, which is more—indeed it is Socialism's crowning glory — theirs is an endeavor to liberate man's creative spirit, to free him from his enslavement to economic activity, that once and for all he might begin to taste of genuine human freedom.

Rev. Stanley H. Knowles.